



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0680	Title:	Revise tax laws to authorize department of revenue to collect out-of-state debt
Primary Sponsor:	Cohenour, Jill	Status:	As Introduced

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|-----------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$814,378	\$802,905	\$807,075	\$811,350
Revenue:				
General Fund	\$1,255,102	\$1,255,102	\$1,255,102	\$1,255,102
Net Impact-General Fund Balance	<u>\$440,724</u>	<u>\$452,197</u>	<u>\$448,027</u>	<u>\$443,752</u>

Description of fiscal impact: This bill will allow the Department of Revenue to contract with out-of-state professionals for out-of-state delinquent tax collections. The department will require three additional FTE to pursue these collections. State general fund revenues will increase as a result.

FISCAL ANALYSIS

Assumptions:

1. This bill would improve the department's collection capabilities for out-of-state delinquent tax liabilities by allowing the department to hire out-of-state collection professionals when it determines the amount collected would exceed the cost of collection. Currently there are 2,103 out-of-state taxpayers owing a total of \$10,025,593 in delinquent taxes. There are 292 taxpayers who each owe more than \$5,000 and whose total liability is \$8,367,348. Based on past experience the department believes it can collect at least 15% of that amount annually (\$1,255,102) at a maximum cost of 50% (\$627,551) to pay the out-of-state collections professionals.
2. In addition, this collection activity should enhance voluntary compliance with the laws over time, increasing general fund revenues and other revenues as a result.

3. The costs of collection would be statutorily appropriated to the DOR. Section two of this bill would amend 17-7-502, MCA to add [Section 1] to the list of statutes for which statutory appropriations are allowed. New section three of this bill provides that new section one would be codified in Title 15, Chapter 1, MCA.
4. This bill has an effective date of July 1, 2007.
5. The Department would require three additional FTE to supervise and support the out-of-state contractors: one attorney, one paralegal, and one collections specialist. Operating expenses for these FTE are approximately \$14,000 a year. In FY 2008, equipment expenses will be \$11,775.
6. An inflation factor of 2.5% has been applied to FY 2010 and FY 2011.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	3.00	3.00	3.00
<u>Expenditures:</u>				
Personal Services	\$160,901	\$161,059	\$165,085	\$169,213
Operating Expenses	\$641,702	\$641,846	\$641,990	\$642,137
Equipment	\$11,775	\$0	\$0	\$0
TOTAL Expenditures	<u>\$814,378</u>	<u>\$802,905</u>	<u>\$807,075</u>	<u>\$811,350</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$814,378	\$802,905	\$807,075	\$811,350
TOTAL Funding of Exp.	<u>\$814,378</u>	<u>\$802,905</u>	<u>\$807,075</u>	<u>\$811,350</u>
<u>Revenues:</u>				
General Fund (01)	\$1,255,102	\$1,255,102	\$1,255,102	\$1,255,102
TOTAL Revenues	<u>\$1,255,102</u>	<u>\$1,255,102</u>	<u>\$1,255,102</u>	<u>\$1,255,102</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$440,724	\$452,197	\$448,027	\$443,752

Long-Range Impacts:

1. State general fund revenues would increase by an estimated \$450,000 per year for the foreseeable future.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date